GLOBAL MOBILITY ALERT

April 2013

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About Mazars

Mazars is an international, integrated and independent organisation, specialising in audit, accounting, tax, legal and advisory services. We rely on the skills of more than 13,500 professionals in the 71 countries which make up our integrated partnership.

Mazars Global Mobility services have a long history. For many years we have been building a worldwide group of international tax advisors, specialising in advising employers on the international mobility of their employees. Our services include tax optimisation, international payroll services, social security, shares schemes, immigration services etc., all in the context of international employees.

Introduction

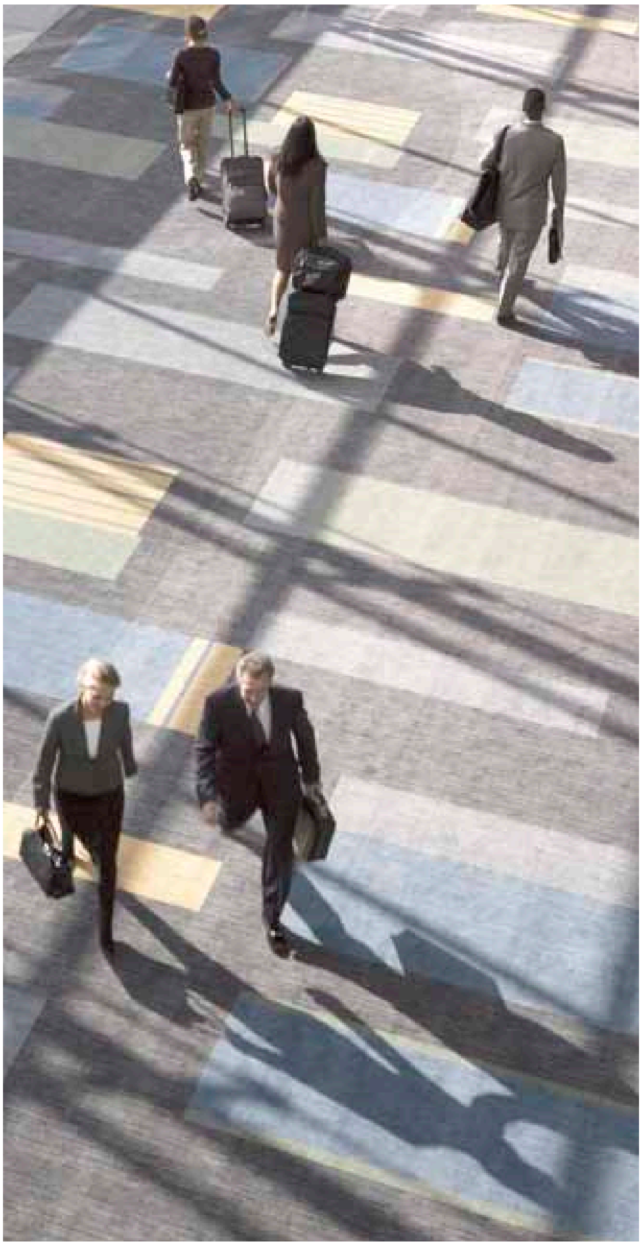
Welcome to the first Mazars Global Mobility Alert. The aim of these alerts is to provide you with insights into changes in legislation and regulations that affect international employee mobility.

Although in many parts of the world we are still facing the impact of a financial and economic crisis companies are not yet cutting back on the number of employees they send on international assignments. Simply because they realise, if they want to survive in the increasingly international marketplace, they have to ensure mobility is part of their global business strategy.

In response to the challenges, in this issue you can read about a change in the law of the United Kingdom regarding modified paye schemes and the changes of the legislation in the field of social security in the Netherlands and Belgium. All of these represent increasing complexity for companies but also opportunities to review current arrangements in order to minimise tax and social security burdens.

We hope you enjoy reading our Global Mobility Alert and welcome any feedback, ideas and remarks.

Anita de Casparis
Head of Mazars Global Mobility Services



Increased Belgian social security exemption for expatriates

The Belgian social security authorities have adopted a new approach with respect to the exemption of Belgian social security contributions on tax free allowances for expatriates benefitting from the special tax regime of 8 August 1983.

This new position could result in additional social security savings for both the employee and employer.

The special tax status offers two important tax advantages for foreign executives:

- Reimbursement of tax free allowances up to 11.250 EUR (or 29.750 EUR for executives operating in a controlling or coordinating position or in a scientific function within a scientific research centre);
- Tax exemption for the days worked abroad (so-called: 'travel exclusion').

Up to now, only the tax free allowances accepted by the Belgian tax authorities could also benefit from an exemption of Belgian social security contributions.

We received recently a written confirmation from the Belgian social security authorities in which they confirmed the following.

In the case of the salary of the expatriates 100% is subject to the Belgian social security regime and a part of the expatriates' salary is taxed abroad (i.e. travel exclusion is applicable), the amount of the tax free allowances calculated according to the "technical note" may be grossed up by the travel exclusion percentage for individuals to whom the 11.250 EUR limit applies up to a maximum of 29.750 EUR. This grossed up amount can be exempted from Belgian social security contributions.

Examples (in which the 11.250 EUR limit is reached):

- 20% travel exclusion :
  11.250 / (100-20) x 100 = 14.062,50 EUR
- 40% travel exclusion :
  11.250 / (100-40) x 100 = 18.750 EUR

Examples (in which the 11.250 EUR limit is not reached):
Tax free allowances amounts to 5.000 EUR

- 20% travel exclusion :
  5.000 / (100-20) x 100 = 6.250 EUR
- 40% travel exclusion :
  5.000 / (100-60) x 100 = 8.333,33 EUR

The Belgian social security contributions confirmed that this new approach is applicable as from 1 January 2012. Therefore a correction for 2012 can still be executed.

If you want to know if this new approach also has an impact on your expats, please contact:

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A reduced benefitof salary split per 2013 in the Netherlands

Dutch payroll has seen a considerable reform for 2013. The goal of the reform is to simplify the payslip and to uniform the taxable base for wage tax, social security and health care contributions. While in general employer's cost have gone up in 2013, there is an additional unexpected effect on social security contributions in legal salary split situations. This is, of course, under the assumption the Dutch social security system applies.

First of all, we are talking about legal salary split situations. This is where an employee has 2 or more legal employers and as many employment contracts. Economic salary splits, where an employee works in 2 or more countries, but for one employer only, are 'safe'.

Through intragroup salary splitting a financial advantage can be achieved, by using lower average tax rates or cheaper social security. This sometimes requires a second legal employer in the home or work country.

Each employer has to pay tax and social security contributions on the respective part of the salary paid. In a legal salary split, every employer ends up contributing to the Dutch tax and social security system. This did not create a particular problem, since Dutch social security and health care contributions are capped (2013: 50.853 EUR), and any excess in contributions paid by the employers together was refunded. That is, until 2013.

From 2013, the Dutch tax administration does no longer have to refund the balance of overpaid social security contributions. This seems in conflict with the fact that the employee will not get an additional benefit in the event of e.g. unemployment or disability. When margins are slim, the additional burden of up to 9.000 EUR per additional employee may give rise to a review of the split setup. The economic split may be the only way out.

To discuss whether you need advice structuring the salary split in order to avoid an additional social security burden, please contact:

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Real time information and expatriate payrolls in the United Kingdom

With effect from 6 April 2013, fundamental changes are happening to the United Kingdom Pay As You Earn (PAYE) reporting system with the introduction of Real Time Information (RTI). Employers will need to report to the tax authorities (HMRC) tax, national insurance and other deductions for all employees, on or before each pay date rather than at the end of each tax year. In addition to these changes, there are implications in terms of record keeping under RTI for employers of expatriate employees working either in the United Kingdom or overseas.

The current new starter form p46(Expat) will be replaced by what is referred to as an Expat Starter Checklist, that will include a series of questions each employee will need to answer to enable the employer to run the payroll correctly.

Year-end payroll reporting procedures will also be revised. There will no longer be a requirement to complete an employer's annual return form although there is still a declaration to complete with the final payroll submission.

In addition to the standard information required for an employee (name, address birth date, NI number etc.), HMRC will also require further information including standard hours worked per week and passport number for new starters.

HMRC have recognised that many employers of expatriate employees often struggle to obtain payroll information on a timely basis when this includes notional and other payments made in-year to expatriates by third parties and overseas employers. To ensure employers in these circumstances are able to comply with the RTI deadlines, HMRC have stated they are not expecting employers to materially change the operation of their current United Kingdom or overseas payrolls for making payments to employee's where these payroll practices are reasonable and widely accepted.

The RTI rules will mean most expatriate employers would benefit from reviewing their expatriate payroll PAYE reporting processes and procedures.

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